

Infrastructure opportunities in Brazil

在巴西的基础设施的机会

Numerous opportunities are presenting themselves in Brazil as the government heavily emphasizes infrastructure projects. New projects in varied sectors including energy, railroads, roads, ports and airports are scheduled to be auctioned off in the near future. Credit lines from the Brazilian heavyweight financing agent BNDES, as well as new financing structures such as “project bonds” are some of the alternatives that are most likely to be used to accomplish the Brazilian government’s ambitious infrastructure plans.

因巴西政府大量强调基础设施项目，多数的机会正在巴西涌现。涉及不同行业的包括能源、铁路、公路、港口及机场的新项目计划即将开始竞标。来自巴西的重要融资代理 BNDES 的贷款以及新的融资结构，如新创建的“项目债券”，都是将最有可能被用来以完成巴西政府雄心勃勃的基础设施计划的不同选择。

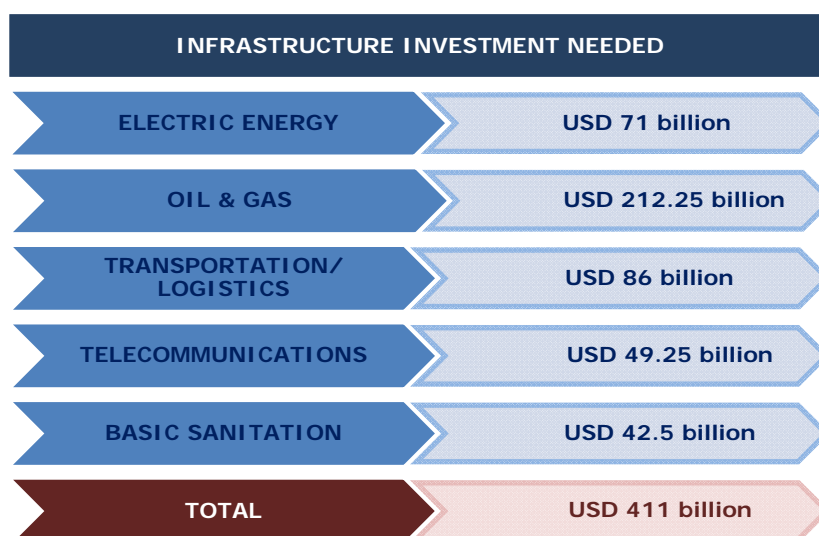
Introduction

Despite the global crisis, which has also affected emerging economies, foreign direct investment in Brazil reached USD 66.66 billion in 2011. That figure is a historical record for a one-year period and has significantly exceeded economists’ forecasts. Public policies on the redistribution of wealth have helped to catapult around 40 million people above poverty line in Brazil. The new middle class’ appetite for consumption has injected billions of Reais in the domestic market.

However, due to limited investments in infrastructure in recent decades, the Brazilian economy currently faces several challenges that must be resolved in order to sustain levels of growth.

Although investment in infrastructure increased by 73.5% between 2007 and 2011 (and is expected to grow by 17.6% in 2012), the ratio of investment to GDP is dropping, which could jeopardize the maintenance and improvement of the country’s infrastructure.

Recent figures disclosed by the Brazilian press indicate that approximately USD 411 billion shall be invested in infrastructure between now and 2015 as indicated in the chart below.



Projects

The figures above include, among other projects, the ongoing construction works of enormous hydropower plants such as Belo Monte, Jirau and Santo Antônio, wind power green-field farms, a high-speed train connecting Rio de Janeiro to Sao Paulo, the modernization and construction of airports, port terminals, as well as thousands of kilometers of electric grids, highways and railways. Also, the chart below shows some of the projects that are currently subject to feasibility and economical studies and which will likely be auctioned in the following year:

PROJECT	DETAILS	EXPECTED INVESTMENT (USD)
<u>Hydropower plant:</u> São Luis dos Tapajós	7,880 MW of estimated capacity	8 billion
<u>Hydropower plant:</u> Jatobá	2,338 MW of estimated capacity	10.5 billion
<u>Highway:</u> Road BR – 116 / MG	817 km of extension	1.5 billion
<u>Highway:</u> Road BR – 040 / MG	937 km of extension	1.1 billion
<u>High-speed train:</u> Connecting Rio de Janeiro to Sao Paulo (first phase)	Technology, operation and maintenance	15 billion
<u>High-speed train:</u> Connecting Rio de Janeiro to Sao Paulo (second phase)	Construction of infrastructure (civil works)	
<u>Ports:</u> 55 public terminals	Not available	Not available

Financing

In order to finance such projects, Brazil's main financing entity, the Brazilian Development Bank (BNDES), has created multiple types of credit lines for each economic sector in which the "cheapest" money can be found. Financial costs can be nearly as low as 7% per year, with very reasonable repayment schedules, grace periods and high leverage ratios (up to 80% of total investments).

Furthermore, since 2011, project bonds (*debêntures de infraestrutura*) can be used to structure infrastructure project financing. Although these instruments are not yet used extensively, they may attract significant funds from financial institutions given the tax exemption for interest paid to foreigners (natural or legal persons, excluding those domiciled in countries in which the lowest income tax rate is lower than 20%) or natural persons resident in Brazil. Project bonds may only be issued by special purpose vehicles for infrastructure projects that the Brazilian authorities consider strategic on a case-by-case basis or by the special purpose vehicle's controlling company.

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